Public Accounts

of the province of

Prince Edward Island

Volume I
Financial Statements

For the Year Ended March 31st

2004

105-02557/

Public Accounts

of the province of

Prince Edward Island

Volume I

Consolidated Financial Statements

For the Year Ended March 31st

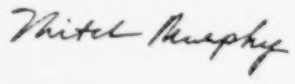
2004

To His Honour
The Honourable J. Léonce Bernard
Lieutenant-Governor of the Province of
Prince Edward Island

May It Please Your Honour:

The undersigned has the honour to submit herewith the Public Accounts of the Province of Prince Edward Island for the fiscal year ended March 31, 2004.

Respectfully submitted,



Hon. Mitch Murphy
Provincial Treasurer

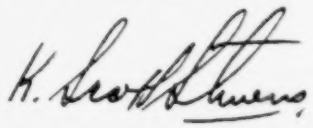
Office of the Provincial Treasurer
Charlottetown, Prince Edward Island

To the Honourable Mitch Murphy
Provincial Treasurer

Sir:

I have the honour to submit herewith the Public Accounts of the Province of Prince Edward Island for the fiscal year ended March 31, 2004.

Respectfully submitted,



K. Scott Stevens, C.G.A.
Comptroller

Office of the Comptroller
Charlottetown, Prince Edward Island

Province of Prince Edward Island

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Introduction

The consolidated financial statements of the Province of Prince Edward Island are presented through the publication of the Public Accounts, Volume I. These statements consolidate the financial statements of the Province's Operating Fund with the financial statements of Agencies, Boards and Crown Corporations owned or controlled by the Province of Prince Edward Island.

The consolidated financial statements, and Operating Fund financial statements, are prepared on the accrual basis of accounting in accordance with the Public Sector Accounting Board standards of the Canadian Institute of Chartered Accountants. Other significant accounting policies used by the Province are described in the Notes to Financial Statements. The statements are prepared by the Comptroller and are audited by the Auditor General, who presents an annual report to the Legislative Assembly on the results of his audit.

The Public Accounts for the Year Ended March 31, 2004 consists of two volumes:

Volume I - Financial Statements presents the audited consolidated financial statements of the Provincial reporting entity as described in Note 1 to the financial statements.

Volume II - Operating Fund Financial Statements, Details of Revenues and Expenditures and Financial Statements of Agencies and Crown Corporations presents the audited financial statements of the Operating Fund, the unaudited details of revenues and expenditures of the Operating Fund and a reproduction of the available audited financial statements of the Agencies, Boards and Crown Corporations owned or controlled by the Province. Volume II can be ordered through the Province's web site.

The Public Accounts of the Province are tabled in the Legislative Assembly in accordance with Section 61 of the *Financial Administration Act*.

Internet Address - Volumes I and II of the Public Accounts are available on the Province's Website at:

http://www.gov.pe.ca/publications

Government of the Province of Prince Edward Island
Statement of Responsibility

Responsibility for the integrity and objectivity of the financial statements rests with the Government. The financial statements are prepared by the Comptroller in accordance with the stated accounting policies of the Government. These financial statements include a statement of financial position, statement of operations, statement of changes in net debt and statement of cash flows, accounting policies and notes and schedules integral to the statements. Together, they present fairly, in all material respects, the Government's financial condition at the fiscal year end and results of operations for the year then ended. More detailed information regarding the Government's financial position and operating results can be found in other sections of either Volume I or Volume II.

On behalf of the Government

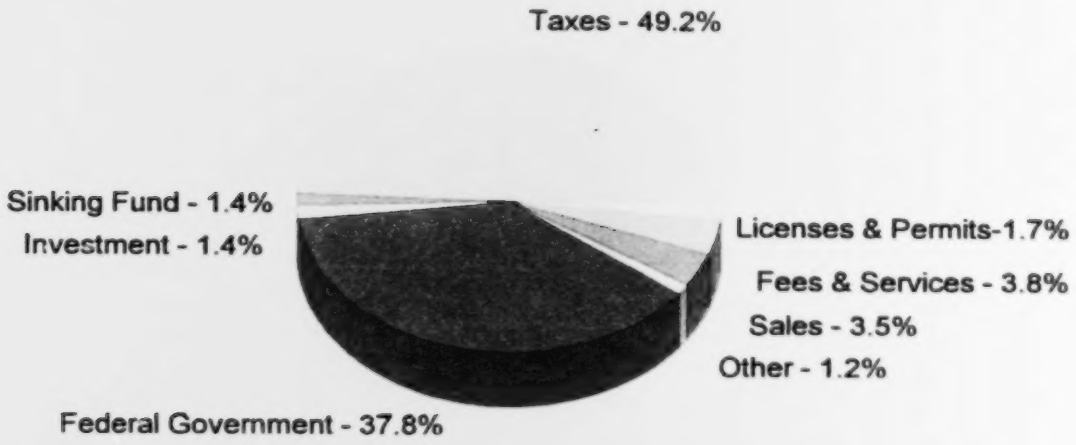
Mitch Murphy

Hon. Mitch Murphy
Provincial Treasurer

January, 2005

Revenue

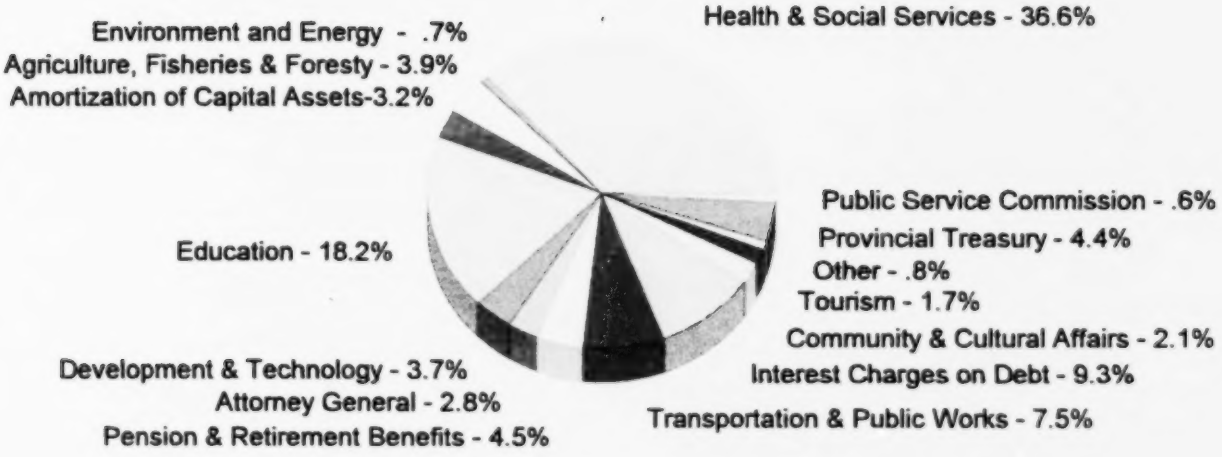
Consolidated Financial Statements



Total revenue for the Province in 2003/04 was $1.02 billion, an increase of $52.3 million over the previous year. Increases were mainly in Federal Government ($45.5 million) and Taxes ($9.6 million).

Expense by Ministry

Consolidated Financial Statements

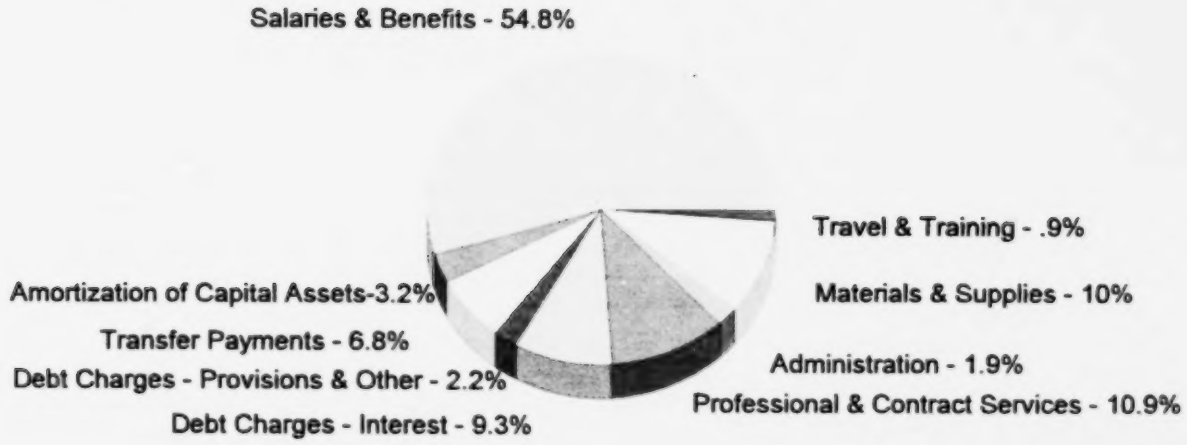

Health & Social Services - 36.6%
Environment and Energy - .7%
Agriculture, Fisheries & Foresty - 3.9%
Amortization of Capital Assets-3.2%
Public Service Commission - .6%
Provincial Treasury - 4.4%
Education - 18.2%
Other - .8%
Tourism - 1.7%
Community & Cultural Affairs - 2.1%
Development & Technology - 3.7%
Interest Charges on Debt - 9.3%
Attorney General - 2.8%
Pension & Retirement Benefits - 4.5%
Transportation & Public Works - 7.5%

Total expense for the Province in 2003/04 was $1.15 billion, an increase of $122.7 million over the previous year.

Increases were mainly in Health and Social Services ($40.3 million), Pension and Retirement Benefits ($25.9 million), Education ($16.6 million) and Provincial Treasury ($14.3 million).

Expense by Object

Consolidated Financial Statements


Salaries & Benefits - 54.8%
Travel & Training - .9%
Materials & Supplies - 10%
Administration - 1.9%
Professional & Contract Services - 10.9%
Debt Charges - Interest - 9.3%
Debt Charges - Provisions & Other - 2.2%
Transfer Payments - 6.8%
Amortization of Capital Assets-3.2%

Total expense for the Province in 2003/04 was $1.15 billion, an increase of $122.7 million over the previous year.

Increases were mainly in Salaries and Benefits ($74.4 million), Materials and Supplies ($27.6 million) and Debt Charges - Provisions ($13.4 million).

AUDITOR'S REPORT

To the Members of the Legislative Assembly
Province of Prince Edward Island

I have audited the consolidated statement of financial position of the Province of Prince Edward Island as at March 31, 2004 and the statement of operations, changes in net debt and cash flows for the year then ended. These statements are the responsibility of Government. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Province of Prince Edward Island as at March 31, 2004 and the results of its operations, the changes in net debt and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for governments as recommended by The Canadian Institute of Chartered Accountants.

Additional information and comments on the financial statements are included in my Annual Report to the Legislative Assembly.

Colin Younker, CA
Auditor General

Charlottetown, Prince Edward Island
January 10, 2005

PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Financial Position
as at March 31, 2004

Schedule		2004 ($000)	2003 Restated ($000)
	FINANCIAL ASSETS		
1	Cash and Short Term Deposits	12,437	14,669
2	Accounts and Taxes Receivable	115,204	118,117
3	Treasury Advances	586	551
4	Property Holdings	27,082	3,976
5	Investments	3,735	4,527
6	Investment in Government Business Enterprises	3,343	6,508
7	Sinking Fund and Debt Reduction Fund	221,673	228,457
8	Loans Receivable	201,364	170,673
9	Deferred Charges	54,948	171,994
	Total Financial Assets	**640,372**	**719,472**
	LIABILITIES		
10	Deferred Revenue/Credits	14,621	16,482
11	Accounts Payable	188,281	135,286
12	Accrued Liabilities	52,450	54,884
13	Short Term Loans Payable	210,000	155,000
14	Obligation Under Capital Leases	5,848	6,075
15	Loans Payable	54,538	48,345
16	Pension, Retirement and Other Obligations	277,384	392,592
7	Debentures	1,149,819	1,089,279
	Total Liabilities	**1,952,941**	**1,897,943**
	NET DEBT	**1,312,569**	**1,178,471**
	Non-Financial Assets		
17	Tangible Capital Assets	577,828	570,158
18	Prepaid Expenses	4,824	3,513
		582,652	573,671
	Accumulated Deficits	**729,917**	**604,800**

Supplementary Information (see schedules)

19 Trust Funds

20 Guaranteed Debt

Change in accounting policy - Note 3

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Operations
for the year ended March 31, 2004

Schedule		2004 Unaudited Revised Estimates ($000)	2004 Actual ($000)	2003 Restated Actual ($000)
	REVENUE			
23	Taxes	513,412	504,086	494,536
24	Licenses and Permits	16,174	17,910	17,934
25	Fees and Services	31,456	38,397	37,070
26	Sales	37,054	36,029	34,905
27	Investment	18,040	14,696	15,228
28	Other Income	11,559	11,810	10,527
29	Government of Canada	410,519	386,961	341,420
	Sinking Fund Earnings	13,225	14,707	17,231
	Capital	270	-	-
6	Government Business Enterprises	876	(3,165)	324
	Total Revenue	**1,052,585**	**1,021,431**	**969,175**
	EXPENSE			
30	Agriculture, Fisheries, Aquaculture and Forestry	42,438	44,846	37,254
	Attorney General	32,025	31,911	30,720
	Auditor General	1,271	1,128	1,019
31	Community and Cultural Affairs	22,483	24,720	20,728
32	Development and Technology	43,449	42,263	45,613
33	Education	202,304	208,492	191,892
34	Environment and Energy	7,415	7,455	6,761
	Executive Council	3,025	3,067	2,951
35	Health and Social Services	420,056	419,793	379,501
	Legislative Assembly	3,318	4,193	3,119
36	Provincial Treasury	32,638	50,794	36,447
37	Public Service Commission	6,458	7,079	5,936
38	Tourism	17,675	19,876	19,600
39	Transportation and Public Works	77,504	85,817	78,089
	Total Program Expense	**912,059**	**951,434**	**859,630**
40	Pension and Retirement Benefits (Note 8d)	18,607	51,921	25,997
	Interest Charges on Debt	107,969	106,475	103,075
17	Amortization of Tangible Capital Assets	25,442	36,718	35,099
	Total Expense	**1,064,077**	**1,146,548**	**1,023,801**
	ANNUAL SURPLUS (DEFICIT)	**(11,492)**	**(125,117)**	**(54,626)**
	Accumulated Surplus (Deficit), Beginning of Year		(604,800)	(550,174)
	Accumulated Surplus (Deficit), End of Year		**(729,917)**	**(604,800)**

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Changes in Net Debt
for the year ended March 31, 2004

	2004 ($000)	2003 Restated ($000)
Net Debt, Beginning of Year, as Previously Reported	1,165,879	1,082,069
Adjustments for Accounting Changes (Note 3):		
Transfer of Prepaid Expenses to Non-Financial Assets	3,513	5,928
Transfer of Property Holdings to Tangible Capital Assets	9,079	6,923
Net Debt, Beginning of Year Restated	**1,178,471**	**1,094,920**
Net Debt Increased by:		
Annual Deficit	125,117	54,626
Increase (Decrease) in Tangible Capital Assets		
Acquisition of Tangible Capital Assets	45,281	68,421
Amortization of Tangible Capital Assets	(36,718)	(35,099)
Disposal of Tangible Capital Assets	(893)	(1,982)
	7,670	31,340
Increase (Decrease) in Prepaid Expenses	1,311	(2,415)
Increase in Net Debt	**134,098**	**83,551**
Net Debt, end of year	**1,312,569**	**1,178,471**

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Cash Flows
for the year ended March 31, 2004

	2004 ($000)	2003 Restated ($000)
Operating Activities		
Surplus (Deficit) for the year	(125,117)	(54,626)
Amortization of Tangible Capital Assets	36,718	35,099
Changes in:		
Accounts and Taxes Receivable - (Increase) Decrease	2,913	(16,883)
Treasury Advances - (Increase) Decrease	(35)	-
Property Holdings - (Increase) Decrease	(23,106)	(344)
Prepaid Expenses - (Increase) Decrease	(1,311)	2,415
Deferred Charges - (Increase) Decrease	117,046	(166,037)
Deferred Revenue/Credits - Increase (Decrease)	(1,861)	(22,158)
Accounts Payable - Increase (Decrease)	52,995	(617)
Accrued Liabilities - Increase (Decrease)	(2,434)	9,881
Pension, Retirement and Other Obligations-Increase (Decrease)	(115,208)	177,690
Cash Provided by (Used for) Operating Activities	**(59,400)**	**(35,580)**
Investing Activities		
Changes in:		
Loans Receivable - (Increase) Decrease	(30,691)	5,852
Investments - (Increase) Decrease	792	1,327
Investment in Govt Business Enterprises-(Increase) Decrease	3,165	(324)
Cash Provided by (Used for) Investing Activities	**(26,734)**	**6,855**
Capital Activities		
Acquisition of Tangible Capital Assets	(45,281)	(68,421)
Disposal of Tangible Capital Assets	893	1,982
Cash Provided by (Used for) Capital Activities	**(44,388)**	**(66,439)**
Financing Activities		
Debentures Issued	111,135	111,360
Debentures Matured / Called	(50,595)	(63,811)
Changes in:		
Short Term Loans Payable - Increase (Decrease)	55,000	45,000
Loans Payable - Increase (Decrease)	6,193	9,509
Obligation Under Capital Leases - Increase (Decrease)	(227)	706
Sinking Fund - (Increase) Decrease	6,784	20,005
Cash Provided by (Used for) Financing Activities	**128,290**	**122,769**
Increase (Decrease) in Cash and Short Term Deposits	(2,232)	27,605
Cash and Short Term Deposits, beginning of year	14,669	(12,936)
Cash and Short Term Deposits, end of year	**12,437**	**14,669**

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Sinking Fund and Debt Reduction Fund
Statement of Financial Position
as at March 31, 2004

	2004 ($000)	2003 ($000)
ASSETS		
Cash	4	123
Accrued Interest	2,143	2,718
Accounts Receivable	28,254	15,526
	30,401	18,367
Investments	191,272	210,098
Total Assets	**221,673**	**228,465**
LIABILITIES		
Accounts Payable	-	8
SINKING FUND (DEBENTURES) RESERVE	180,578	171,476
DEBT REDUCTION FUND RESERVE	41,095	56,981
	221,673	228,457
Total Liabilities and Fund Reserves	**221,673**	**228,465**

PROVINCE OF PRINCE EDWARD ISLAND

Sinking Fund and Debt Reduction Fund
Statement of Financial Activities
for the year ended March 31, 2004

	2004 ($000)	2003 ($000)
Sinking Fund Earnings		
Interest	15,444	16,921
Gain (Loss) on Sale of Debentures	(78)	849
	15,366	17,770
Expenses		
Bank Charges	42	46
Amortization of Debenture Premium	617	493
	659	539
Net Sinking Fund Earnings	**14,707**	**17,231**
Add:		
Instalments from Operating Fund	14,174	11,698
Debentures Issued During Year	11,135	11,360
Less:		
Debentures Which Matured During the Year	(46,800)	(60,294)
Increase (Decrease) in Sinking Fund Reserves	**(6,784)**	**(20,005)**
Sinking Fund Reserves, Beginning of Year	**228,457**	**248,462**
Sinking Fund Reserves, End of Year	**221,673**	**228,457**

PROVINCE OF PRINCE EDWARD ISLAND

Sinking Fund and Debt Reduction Fund
Statement of Investments
as at March 31, 2004

	2004 ($000)	2003 ($000)
Book Value of Investments		
Debentures-Par Value	120,989	140,393
Add: Unamortized Premium	2,156	2,481
	123,145	142,874
Debentures-Residuals	68,127	67,224
Total Book Value of Investments	**191,272**	**210,098**
Market Value of Investments		
Debentures	**225,248**	**236,963**

PROVINCE OF PRINCE EDWARD ISLAND

Notes to the Consolidated Financial Statements
For the year ended March 31, 2004

1 **Reporting Entity**

The financial position of the Province is presented by a Consolidated Statement of Financial Position combining the statement of financial position of the Operating Fund and the balance sheets of such agencies, crown corporations, and boards as determined under section 61(2) of the Financial Administration Act.

The following agencies, crown corporations and boards are included in the consolidated statement of financial position using the consolidation method of accounting. Under the consolidation method of accounting inter-organizational balances and transactions are eliminated. This method reports the organizations as if they were one organization.

Provincial Health Services Authority
East Prince Health
Kings Health Region
Queens Health Region
West Prince Health Region
Eastern School District
French Language School Board
Western School Board
P.E.I. Agricultural Insurance Corporation
P.E.I. Agricultural Research Investment Fund Inc.
P.E.I. Aquaculture and Fisheries Research Initiative Inc.
P.E.I. Business Development Inc
P.E.I. Crown Building Corporation
P.E.I. Housing Corporation
P.E.I. Human Rights Commission
P.E.I. Lending Agency
P.E.I. Museum and Heritage Foundation
P.E.I. Self-Insurance and Risk Management Fund
P.E.I. Special Projects Fund
Tourism P.E.I.

The Eastern, Western, and French Language School Boards have a fiscal year-end of June 30, 2003.

The following agencies, crown corporations, and boards are included in the consolidated statement of financial position using the modified equity method of accounting. This method is used for government business enterprises which are defined as those agencies, crown corporations and boards which, (i) have the power to contract in their own name, (ii) have the financial and operating authority to carry on a business, (iii) sell goods and services to customers outside the provincial reporting entity as their principal activity and source of revenue, and (iv) are able to maintain their operations and meet their liabilities from revenues received from sources outside the provincial reporting entity. The modified equity method reports the percentage of a government business enterprise's net assets owned by the Province as an investment in the Province's Consolidated Statement of Financial Position. Inter-organizational balances and transactions are not eliminated. Schedule 6 presents condensed financial information of the following government business enterprises.

Charlottetown Area Development Corporation
Island Investment Development Inc.
Island Waste Management Corporation
P.E.I. Energy Corporation
P.E.I. Grain Elevators Corporation
P.E.I. Liquor Control Commission
P.E.I. Lotteries Commission

P.E.I. Regulatory and Appeals Commission
Summerside Regional Development Corporation Ltd.

The P.E.I. Grain Elevators Corporation has a fiscal year end of July 31, 2003.

The Consolidated Statement of Financial Position does not include the financial position of the Workers Compensation Board of Prince Edward Island. The Board, as at December 31, 2003, had assets of $79.9 million (2002 - $71.5 million) and liabilities of $102.2 million (2002 - $97.1 million). The Board has the ability to establish premium rates sufficient to meet its financial obligations.

2 Basis of Accounting

(a) The Province of Prince Edward Island accounts for its financial transactions in accordance with generally accepted accounting principles, which for the purposes of the Province's financial statements is represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards.

(b) **Assets**

Cash represents cash position including bank balances and term deposits.

Receivables are recorded for all amounts due for work performed and goods or services supplied in the fiscal year. A provision for loss is established for doubtful accounts.

Loans receivable are recorded at cost. A provision for loss is established for doubtful accounts.

Property Holdings are recorded at the lower of cost or net realizable value. A provision for loss is established.

Investments are recorded at the lower of cost or net realizable value. A provision for loss is established.

Investment in government business enterprises represents the net assets of government business enterprises recorded on the modified equity basis as described in Note 1 to these financial statements.

Sinking fund assets are recorded at cost. A portion of the sinking fund assets are externally restricted.

Deferred charges represent recorded expenses which will be included in the Consolidated Statement of Operations in future years.

(c) **Liabilities**

Deferred revenue represents amounts received but not earned.

Payables, accruals and other liabilities are recorded for all amounts due for work performed, goods or services received and other charges incurred in the fiscal year.

Borrowings are recorded at face value.

Obligation under capital lease represents the liability recorded for contractual arrangements which are deemed to be capital leases. Establishment of a capital lease recognizes the lease contract as a financing tool to acquire an asset.

Pension, retirement and other future employee benefit obligations represent the Province's net liability as calculated using an accrued benefits actuarial method on an accounting basis. The net pension liability represents accrued pension benefits less the market value of pension assets.

Debentures represent the gross funded debt of Province of PEI public debenture issues, a private debenture issue and Canada Pension Plan debenture issues.

(d) Net Debt

The Province's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the Province is determined by its liabilities less its financial assets. Net debt is comprised of two components non-financial assets and accumulated deficits.

Non-Financial Assets

Tangible capital assets are valued at historical cost, or estimated cost where historical cost information is not available. Amortization methods and rates vary between the Operating Fund and some Agencies. It is calculated using the straight line or declining balance methods at the following rates:

Land Improvements	10 - 40 years
Buildings and Improvements	10 - 40 years
Leasehold Improvements	Based on length of lease
Roads	10 - 20 years
Bridges	20 - 40 years
Motor Vehicles	4 - 10 years
Equipment	3 - 16 years
Other	5 - 40 years

Prepaid expenses are goods and services purchased which will provide economic benefits in future periods.

Inventories for consumption or use by the Province in the course of its operations continue to be expensed in the year of purchase.

Accumulated Deficits

Accumulated deficits are the liabilities of the Province less financial and non-financial assets and represents the accumulated balance of deficits arising from operations of the Province.

(e) Revenues

Revenues are recorded on an accrual basis. Transfers from Canada under Federal - Provincial Fiscal Arrangements are based on estimates which will be adjusted against future years revenues when actual results become available.

(f) Expenses

Expenses are recorded on an accrual basis.

Capital expenditures are incurred in the acquisition, development or construction of capital assets and equipment. They do not include operational expenses. The acquisition of tangible capital assets are not reported as expenses in the year the assets are acquired. Tangible capital assets are included in the Province's Consolidated Statement of Financial Position as a component of net debt and are amortized over their estimated useful life.

Transfer payments are transfers of money to individuals, organizations or other governments for which the government making the transfer does not receive any goods or services directly in return. Transfer payments are recognized by the Province as expenditures in the period during which both the payment is authorized and any eligibility criteria are met.

3 Change in Accounting Policy

For the fiscal year 2003-2004 the Province implemented Public Sector Accounting Board standards for the recording of tangible capital assets and prepaid expenses. Accordingly prepaid expense and tangible capital asset balances are reported on the Statement of Financial Position as non-financial assets. Changes in balances of prepaid expenses and amortization of tangible capital assets are recorded as expenses in the Statement of Operations. In the past, expenditures for tangible capital assets were charged to operations when incurred.

The above changes have been applied retroactively and the financial statements for the prior period have been restated. The opening net debt for 2003 was increased by $5.9 million as a result of the classification of prepaid expenses as non-financial assets and by $6.9 million as a result of reclassification of certain property holdings

to tangible capital assets. Tangible capital asset balances of $538.8 million were recorded as non-financial assets at April 1, 2002.

The change in classification of prepaid expenses has resulted in an increase in net debt by $4.8 million at March 31, 2004 (2003 - $3.5 million) and the reclassification of property holdings as tangible capital assets has increased net debt by $11.1 million at March 31, 2004 (2003 - $9.1 million).

The change in accounting for tangible capital assets has resulted in a reduction in the annual deficit of $7.7 million for the year ended March 31, 2004 (2003 - $29.2 million).

4 Province of Prince Edward Island Sinking Fund and Debt Reduction Fund

(a) Description of Sinking Funds

The Province of Prince Edward Island Sinking Funds were established to reserve funds to meet future commitments and for debt retirement. Earnings on Sinking Funds are reflected as current revenue. The Sinking Funds are made up of two components:

Sinking Fund (Debentures)
Those funds in the Sinking Fund designated for debentures are considered to be externally restricted and as a result cannot be used for other purposes. Installment payments are made to the Sinking Fund from the Operating Fund, they are allocations within the Operating Fund, and as such, are treated as a non-budgetary item. The installment payments for the next five years are:

	($000)
2004-2005	12,910
2005-2006	12,910
2006-2007	12,608
2007-2008	11,908
2008-2009	10,750

Debt Reduction Fund
The Debt Reduction Fund was established from over-funding of Provincial debenture issues and installments made to the Sinking Fund for Canada Pension Plan (CPP) debentures. There are no installment requirements for CPP debentures and there are no external restrictions on funds contributed to the Sinking Fund for the retirement of CPP debentures. The purpose of the Debt Reduction Fund is the retirement of public debt and the reduction of interest charges on debt.

(b) PEI Issues Held by the Sinking Fund

As at March 31, 2004 Sinking Fund investments include PEI Issues held but not cancelled in the amounts of:

	($000)		($000)
Debentures - Par Value	25,203	Book Value	27,145
Residuals - Par Value	100,368	Book Value	54,225

5 Solid Waste Landfill Closure and Post-Closure Liability

The collection and disposal of all solid waste generated in Prince Edward Island is included in the mandate of a provincial agency. The provincial agency is responsible for liabilities related to the closure and post-closure costs of the East Prince Landfill Site, which was in use at March 31, 2004. The agency is also responsible for monitoring and dealing with post-closure issues at four landfill sites and approximately one hundred smaller community dumps which were closed prior to 2003. The Province is responsible for the costs associated with the closure and decommissioning of the sites closed prior to 2003.

The Province recognizes its responsibility regarding solid waste landfill sites but at this time is unable to estimate the costs involved due to the absence of a formal action plan. A provisional amount of $350,000 was established in 2003 to deal with future costs (Schedule 12 - Accrued Liabilities).

6 Commitments

(a) Canada Mortgage and Housing Corporation

The Province is committed to pay half the cost of a loan from Canada Mortgage and Housing Corporation, for the development of the Charlottetown Area Pollution Control and Summerside Sewage Disposal systems. The Province's share of the outstanding loan balance as at March 31, 2004 was $117 thousand (2003 - $219 thousand). An amount of $97 thousand is included in the 2004-2005 budget of the Department of Community and Cultural Affairs to meet the Province's principal and interest commitment for the fiscal year.

(b) University of Prince Edward Island

The Province is committed to make payments over a sixteen year period in the amount of $376.5 thousand per year to the University of Prince Edward Island for the purpose of debt servicing. This expenditure is included in the budget of the Department of Education.

(c) Summerside Recreational Complex

The Province is committed to make payments over a three year period totalling $1 million in support of Phase 1 of the Summerside Recreational Complex. An amount of $375 thousand is included in the 2004-2005 budget of the Department of Community and Cultural Affairs for the second year of this funding.

(d) PEI Agricultural Research Investment Fund Inc

The corporation has approved five research projects (2003 - ten) providing for future commitments of $257 thousand (2003 - $351 thousand). The commitments expire March 31, 2006.

(e) P.E.I. Lending Agency

The corporation has approved, but not disbursed, loans at March 31, 2004 amounting to $9.3 million (2003 - $.7 million).

(f) P.E.I. Busines Development Inc

The corporation has approved, but not disbursed, loans at March 31, 2004 amounting to $22.6 million.

(g) Charlottetown Area Development Corporation

The corporation has entered into an agreement with Industry Canada, and a memorandum of understanding with eight other parties, to carry out the Virtual Charlottetown-Town Square Project. The total budgeted project cost is $9.2 million. CADC's share of the budgeted project cost is $3.9 million. As at March 31, 2004 $2.6 million has been incurred for this initiative by CADC.

(h) Island Waste Management Corporation

The corporation conducts a portion of its operations, the compost facility, pursuant to an operating agreement. The agreement provides for the payment by the corporation to the operator of the facility a minimum annual fee plus an excess tonnage fee. The minimum annual fee commitments under the operating agreement are as follows:

2005	$ 1.4 million
2006	$ 1.4 million
2007	$ 1.4 million
2008	$ .7 million

(i) Leases

The Province is party to a significant number of lease agreements. The following list contains those leases where the annual lease payments exceed one hundred thousand dollars.

Asset Description	Annual Lease Cost ($000)	Lease Expiration
Sir Henry Davies Law Courts *	648 **	March 21, 2128
Health and Social Services Office	377	March 31, 2018
Queens Health Region Office	433	May 14, 2012
Charlottetown Highway Safety Division Office	137	June 30, 2007
Kelly Building (Provincial Court House) *	276	October 31, 2024
Access PEI Summerside Office	260	January 31, 2018
Eastern Kings Regional Services Centre	188	December 31, 2010
Morell Library	175	March 31, 2013
Agriculture Canada Research Station	244	March 31, 2011
DocuTech 6135 High Speed Copier	107	October 2010
Computer Equipment (Desktops/Notebooks)	2,701	November 1, 2006
Atlantic Technology Centre *	182	October 2007
Atlantic Technology Centre (Network Management Services)	120	July 31, 2007
Total	**5,848**	

* Capital Leases

Costs associated with renovations to the Davies and Kelly Law Courts Buildings have been recorded as capital leases.

Atlantic Technology Centre Inc. has recorded a capital lease at March 31, 2004 for the lease of interactive theatre technologies and infrastructure.

These capital lease obligations are recorded as liabilities in the Consolidated Statement of Financial Position.

** Sir Henry Davies Law Court Lease

For the period November 1, 2019 to March 21, 2128 the annual base rent is $1.

(j) Pension Obligations

Acts to amend the Civil Service Superannuation Fund and the Teachers' Superannuation Fund reflect that the Province shall pay $63.4 million and $129.4 million into the Funds respectively, from 1996 to 2005. Additional payments will be made for interest revenue lost as a result of deferral of the 1997-98 installment to March 31, 1999. Interest in the amount of $3.7 million will be paid in seven annual installments commencing on April 1, 1998.

7 Contingent Liabilities

(a) Claims Outstanding

The Province is subject to legal actions arising in the normal course of business. At March 31, 2004 there are thirty seven (2003 - twenty six) outstanding claims arising from legal action in progress against the Crown. The cost to the Province, if any, cannot be determined because the outcome of these actions is uncertain.

The cost, if any, of thirty two of the thirty seven claims outstanding will be paid through the Prince Edward Island Self-Insurance and Risk Management Fund. The Prince Edward Island Self-Insurance and Risk Management Fund was established in 1988 under Part II of the Financial Administration Act. The Fund provides general liability insurance, errors and omissions insurance and primary property and crime insurance. At March 31, 2004, fund reserves were $7.2 million, (2003 - $7.1 million). Claims amounting to $.6 million were settled in the current year (2003 - $ .5 million). The estimated amount for claims outstanding at March 31,2004 is $.8 million (2003 - $.8 million). The fund carries an excess liability policy limiting the liability of the fund to $5 million.

One of the five claims not being paid through the Self-Insurance and Risk Management Fund is a personal injury claim on allegations of abuse at the former Mt Herbert Orphanage. At March 31, 2004 there were fifty seven plaintiffs on notice of action.

(b) Credit Union Deposit Insurance Corporation

The Credit Unions Act states that the Province shall ensure that the obligations of The Credit Union Deposit Insurance Corporation (CUDIC) are carried out. The CUDIC provides deposit insurance coverage on deposits within established limits held by PEI credit unions. The CUDIC is funded by an assessment on insurable deposits in each of the ten credit unions. The Province holds two director positions on the CUDIC Board of Directors. At December 31, 2003 the CUDIC had an equity balance of $4.8 million (2002 - $4.2 million).

Based on unaudited information, at September 30, 2003 credit unions in Prince Edward Island held insurable deposits totalling $433.2 million (2002 - $402.2 million). The probability that the Province would be called upon to provide financial support to the CUDIC is unlikely due to the equity held by the CUDIC, Credit Union Central of Prince Edward Island and the ten credit unions on PEI.

(c) Guaranteed Debt

The Province has guaranteed the repayment of a variety of types of loans, including student loans. Guarantees amounting to $99.4 million (2003 - $96 million) are reported in Schedule 20.

8 Pension, Retirement and Other Future Employee Benefit Obligations

(a) Basis of Accounting for Obligations

The Province has adopted the recommendations of the Public Sector Accounting Board (PSAB) in accounting for its pension and other retirement obligation liabilities. Assumptions used in the valuation of these benefits and obligations are developed on two criteria; for funding purposes and for accounting purposes. The Province has been using assumptions developed for accounting purposes since the year ended March 31, 2002.

(b) Pension Funds

Civil Service Superannuation Fund

Employees of the Province and certain of its' entities are entitled to receive pension benefits pursuant to the provisions of a pension plan under the Civil Service Superannuation Act. The plan is operated within the Civil Service Superannuation Fund which is not part of the Operating Fund of the Province. The Plan is funded by employee contributions equal to 6.95 percent of their salary (8.75 percent when not contributing to CPP) with the Province matching those contributions. In 2004, total employee contributions for current year's service were $9.2 million (2003 - $8.7 million). Investments of the Fund are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. By Act the Province is committed to make payments if the Civil Service Superannuation Fund is insufficient to provide for pension payments as they become due. Pension benefits are based on the number of years of service times 2% of the best three years' average salary. The plan provides for inflation protection to a maximum of 6 percent. At present the plan provides benefits to 1,528 retirees (2003 - 1,491); benefit payments were $21.6 million in 2004 (2003 - $20.3 million).

An amendment to the Civil Service Superannuation Act on May 4, 1995 provided for the reduction of the unfunded liability of the fund. The amendment calls for a contribution from the government of $11.6 million in 1995/96 and $5.8 million in the years 1996/97 to 2004/05.

Teachers' Superannuation Fund

The Teachers' Superannuation Act established a fund for the payment of pensions to retired teachers or refund of contributions under certain circumstances. The plan is operated within the Teachers' Superannuation Fund which is not part of the Operating Fund of the Province. The Plan is funded by employee contributions equal to 7.2 percent of their salary (9 percent when not contributing to CPP) with the Province matching those contributions. In 2004, total employee contributions for current year's service were $6 million (2003 - $6 million). Investments of the Fund are adminsistered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. By Act the Province is committed to make payments if the Teachers' Superannuation Fund is insufficient to provide for pension payments as they become due. Pension benefits are based on the number of years of service times 2% of the best five years' average salary. The plan provides for inflation protection to a maximum of 4%. At present the plan provides benefits to 1,167 retirees (2003 - 1,125); benefit payments were $26.7 million in

2004 (2003 - $24.9 million).

An amendment to the Teachers' Superannuation Act on May 4, 1995 provided for the reduction of the unfunded liability of the fund. The amendment calls for a contribution from the government of $23.6 million in 1995/96 and $11.8 million in the years 1996/97 to 2004/05.

MLA Pension Fund (Old Plan)
The Legislative Assembly Retirement Allowances Act and Legislature and Executive Pensions Act provided a pension plan for members of the Legislative Assembly. The plan is operated within the MLA Pension Fund which is not part of the Operating Fund of the Province. Amendments in 1994 resulted in this plan being replaced by a new pension plan. Participants of the Old Plan will be entitled to benefits accruing under the terms of the plan up to and including June 30,1994. As a result, contributions to this fund ceased on June 30, 1994; however, investment interest and payments to existing pensioners will continue to be recorded to this fund. As well, the province provided $5 million in funding to eliminate the unfunded liability at June 30, 1994. Investments are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. Annual Member's pensions are equal to the lesser of 75% of contributions and the average annual indemnity during the last five years of service Annual Ministers' pensions are equal to the lesser of 75% of contributions and one half of the highest annual salary as a Minister. The plan provides for inflation protection to a maximum of 8%. At present the plan provides benefits to 73 retirees (2003 - 72); benefit payments were $1.1 million in 2004 (2003 - $1.1 million).

Pension Plan for Members of the Legislative Assembly (New Plan - Basic)
An Amendment to the Legislative Assembly Act in 1994 provided for an Indemnities and Allowances Commission to review and determine the remuneration and benefits to be paid to the Members of the Legislative Assembly, Ministers, the Speaker, Opposition House Leader, Government Whip and Opposition Whip. As a result of this amendment, a pension plan called the "Pension Plan for Members of the Legislative Assembly of Prince Edward Island" was established by the Commission with an effective start date of July 1, 1994. The plan is operated within the Pension Plan for Members of the Legislative Assembly (1994) which is not part of the Operating Fund of the Province. The plan is funded by contributions from the members of the Legislative Assembly equal to 8 percent of their salary with the Province matching those contributions. In 2004, total contributions for current year's service were $121.2 thousand (2003 - $117.3 thousand). Investments of the fund are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. Pension benefits are based on criteria which is different depending on the period of service. The criteria for the period July 1, 1994 to March 31, 2001 differs from the period April 1, 2001 to present. Benefits for the period July 1, 1994 to March 31, 2001 are based on the number of years of service times 2% of average indemnity and salary earned by the member. Benefits for the period on or after April 1, 2001 are 25% of the required contributions made by the participants commencing after April 1, 2001. The plan provides for inflation protection to a maximum of 8%. At present the plan provides benefits to 14 retirees (2003 - 13); benefit payments were $259 thousand in 2004 (2003 - $37.1 thousand).

Amalgamation of Funds
In January 2004 the MLA Pension Fund (Old Plan) was amalgamated with the Pension Plan for Members of the Legislative Assembly (New Plan). Both funds had a December 31, 2003 year end so separate plan information has been provided in these financial statements. The amalgamation of the two funds has resulted in a funded surplus and tax legislation dictates that an employer contribution holiday must be taken until the surplus is used up. Combined plan information will be provided for the year ended March 31, 2005.

Pension Plan for Members of the Legislative Assembly (New Plan - Supplementary)
The supplementary to the Pension Plan for Members of the Legislative Assembly was established effective April 1, 1999. The plan provides a pension which is supplementary to the benefits provided under the Pension Plan for Members of the Legislative Assembly. This plan is unfunded. The Province is responsible for the unfunded liability and makes pension payments from the Operating Fund as they become due. The plan provides for inflation to a maximum of 8%. At present the plan provides benefits to 24 retirees (2003 - 22); benefit payments were $76 thousand in 2004 (2003 - $63.5 thousand).

Senior Compensation Program
An executive compensation plan is provided to the senior management of the Province. The plan provides a pension which is supplementary to the benefits provided under the Civil Service Superannuation Act. This plan is unfunded. The Province is responsible for the unfunded liability and makes pension payments from the Operating Fund as they become due. The plan povides for inflation to a maximum of 6%. At present the plan provides benefits to 24 retirees (2003 - 20); benefit payments were $295.7 thousand in 2004 (2003-$245.7 thousand).

Pension Plan for Judges - Old
The Provincial Court Act provides a pension plan for Provincial Court judges who were appointed before April 1, 1997. This plan is unfunded. The Province is responsible for the unfunded liability and makes pension payments from the Operating Fund as they become due. The plan provides for inflation to a maximum of 8%. At present the plan provides benefits to 3 retirees (2003 - 3); benefit payments were $227.9 thousand in 2004 (2003 - $223 thousand).

Pension Plan for Judges - New
The Provincial Court Act established a Judicial Remuneration Review Commission which reviews salary, benefits and expenses paid to judges. In February 2002, the Commission approved the establishment of a pension plan for judges appointed after March 31, 1997 which is supplementary to the benefits provided under the Civil Service Superannuation Act. This plan is unfunded. The Province is responsible for the unfunded liability and makes pension payments from the Operating Fund as they become due. The plan provides for inflation protection to a maximum of 6%. At present there are no retirees under this plan.

Actuarial Valuations / Estimates
Actuarial valuations of the Province's pension funds are carried out every three years. An estimated update, which is a partial calculation based on an extrapolation of the most recent valuation, is calculated by the Province at the end of each fiscal year.

Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employee group which is 6 years for MLAs and 13 years for all other groups.

Actuarial valuations and estimates are based on a number of assumptions about future events such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions used reflect the Province's best estimates. The expected inflation rate is 2.5 percent. The discount rate used to determine accrued benefit obligation is 7.9 percent. Pension fund assets are valued at market values. The expected rate of return on plan assets is 7.9 percent. The actual return on plan assets was + 26.0 % in 2004 (2003 - - 15.4 %).

The following are the actuarial estimates at March 31, 2004

	Number of Members	Gross Pension Obligation 31-Mar-04 ($000)	Pension Assets 31-Mar-04 ($000)	Net Pension Obligation 31-Mar-04 ($000)	Net Pension Obligation 31-Mar-03 ($000)
Civil Service Pension Fund	4,763	496,687	473,687	23,000	96,671
Teachers' Pension Fund	2,867	477,810	296,606	181,204	223,791
MLA Pension Fund (Old)	80	12,291	18,915	(6,624)	(3,806)
MLA Pension Fund (New)	46	2,145	1,967	178	434
MLA Plan New - Supp	60	2,834	-	2,834	2,439
Senior Comp. Pension Plan	52	6,358	-	6,358	5,880
Judges Pension Plan (Old)	5	3,483	-	3,483	3,392
Judges Pension Plan (New)	1	229	-	229	184
Totals	**7,874**	**1,001,837**	**791,175**	**210,662**	**328,985**

The following are the most recent actuarial valuations for accounting purposes for the Province's four Pension funds:

	Civil Service Fund	Teachers' Fund	MLA Fund Old	MLA Fund New
Date of Valuation	01-Apr-02	01-Apr-02	01-Apr-03	01-Apr-03
	($000)	**($000)**	**($000)**	**($000)**
Actuarial Liability	442,217	440,630	12,457	1,995
Fund Assets	436,093	287,000	16,263	1,561
Unfunded Liability (Surplus)	**6,124**	**153,630**	**(3,806)**	**434**

(c) Retirement and Other Benefits

Employees of the Province are entitled to retirement allowances as provided for under collective agreements and terms of employment. Other benefit entitlements include workers compensation funding and payment of insurance policies. The Province obtains actuarial calculations of its liability for future employee benefits.

The following balances are actuarial estimates of future commitments to employees:

	Obligation 31-Mar-04 ($000)	Obligation 31-Mar-03 ($000)
Retirement Pay	48,881	46,701
Insurance Policies	2,310	1,975
Workers Compensation	15,531	14,931
Totals	**66,722**	**63,607**

(d) Cost of Pension, Retirement and Other Obligations

The following schedule presents the costs of future employee benefits for the year ended March 31, 2004:

	Current Service Cost ($000)	Interest Cost ($000)	Employee and Other Contributions ($000)	Amortization of Actuarial Adjustments ($000)	Net Cost ($000)
Civil Service Pension Fund	13,070	6,956	(9,983)	5,889	15,932
Teachers' Pension Fund	9,398	16,616	(6,059)	6,586	26,541
MLA Pension Fund (Old)	-	(301)	-	(147)	(448)
MLA Pension Fund (New)	253	36	(121)	69	237
MLA Plan New - Supp	270	200	-	(48)	422
Senior Comp. Pension Plan	308	465	-	(76)	697
Judges Pension Plan (Old)	57	261	-	(92)	226
Judges Pension Plan (New)	30	16	-	8	54
Total Pension	23,386	24,249	(16,163)	12,189	43,661
Retirement Pay	2,823	3,121	-	143	6,087
Insurance Policies	201	137	-	80	418
Workers Compensation	852	994	-	(91)	1,755
Total Other	3,876	4,252	-	132	8,260
Totals	**27,262**	**28,501**	**(16,163)**	**12,321**	**51,921**

The cost of pension, retirement, and other obligations, as described in the above schedule, are presented in the Consolidated Statement of Operations as a separate line item.

(e) Other Pension Plans In The Health Regions and School Boards

Employees of the five health regions, who are not part of the civil service pension plan, are part of the uniform pension plan for employees of all Prince Edward Island hospitals. The hospital pension plan is a defined benefit pension plan for basic pension contributions and a defined contribution pension plan for supplementary pension contributions. According to the most recent actuarial report, dated January 1, 2003, contributions to the pension plan are not sufficient to meet the requirements of the plan and a pension fund deficit in the amount of $25.5 million existed at that date.The Province does not guarantee this plan, however in November 2004 Treasury Board approved an increase in contributions to adequately fund current service costs and it is expected that increases in the market value of the plan assets will reduce the fund deficit at January 1, 2003.

Non-instructional employees of the three school boards are part of a defined benefit / defined contribution pension plan. The expense of the school boards is limited to a matching contribution equal to the employee's portion. The most recent actuarial report, dated January 1, 2002, reported an actuarial surplus of $74 thousand.

For the above described pension plans the Province records expense equal to the employer contributions and does not include the unfunded liability or surplus in the pension liability of the Province.

9 Canada Health and Social Transfer

The Province is receiving, from the Government of Canada, supplementary funding under the Canada Health and Social Transfer. The Federal Government has set up a trust fund to administer this program. The Province is recording receipts from this program per the following schedule:

	1999 & 2000 Allocations		2003 Allocation		
	CHST	Equipment	CHST	Equipment	Totals
1999-2000	9.0 million	-	-	-	9.0 million
2000-2001	9.0 million	2.3 million	-	-	11.3 million
2001-2002	4.4 million	2.2 million	-	-	6.6 million
2002-2003	2.2 million	-	-	-	2.2 million
2003-2004	2.2 million	-	11.1 million	2.2 million	15.5 million
2004-2005	-	-	-	2.2 million	2.2 million
2005-2006	-	-	-	2.2 million	2.2 million
Totals	$26.8 million	$4.5 million	$11.1 million	$6.6 million	$49.0 million

10 Polar Foods International Inc

The Province, on February 27, 2004, completed negotiations to acquire the debt and associated security of Polar Foods International Inc. Subsequent to this event the Province appointed Ernst & Young, to take possession of the assets and liquidate them in favor of the Province.

The Receiver reached an agreement for the sale of a significant portion of the assets to Ocean Choice PEI Inc on March 24, 2004. The sale was finalized in April 2004.

			($000)
Funds advanced			51,500
Less: Proceeds received from the sale of assets			3,003
Property Holdings - Polar Foods at March 31, 2004			**48,497**
Provision for Loss on Property Holdings - Polar Foods			
Property Holdings at March 31, 2004			48,497
Less:	Proceeds received from sale of assets	14,019	
	Cash and funds held in trust	3,706	
	Other assets	569	
	Present value of Note Receivable	8,432	
			26,726
			21,771
Add:	Estimated remaining commitments and costs		1,899
Provision for Loss on Property Holdings - Polar Foods			**23,670**

11 Restructuring of Departments

Effective October 9, 2003 the following changes were made to the Province's Ministries:

- The Department of Fisheries, Aquaculture and Environment ceased to exist.
- The Department of Agriculture and Forestry ceased to exist.
- The Department of Agriculture, Fisheries, Aquaculture and Forestry was created.
- The Department of Environment and Energy was created with Energy being transferred from the Department of Development and Technology.
- Responsibilty for the PEI Liquor Control Commission was transferred from the Department of Tourism to the Department of Development and Technology.
- The Interministerial Women's Secretariat was transferred from Provincial Treasury to the Department of Transportation and Public Works.

The above changes have been applied retroactively with 2002-2003 revenues and expenses being restated. Changes in the 2003-2004 Budget Estimates resulting from this restructuring are presented in Schedule 43.

12 Measurement Uncertainty

Measurement uncertainty exists in financial statements when recorded amounts are based on assumptions or estimates. When estimates are used it is possible that there could be a material variance between the recorded amount and another reasonably possible amount. The accuracy of estimates depends on the completeness and quality of information available at the time of preparation of financial statements. Estimates are adjusted annually to reflect new information as it becomes available. Examples of where measurement uncertainty exists in these financial statements are the calculation of future pension obligations and the provision for losses on loans and accounts receivable.

13 Comparative Figures

Certain 2003 financial statement figures, presented for comparative purposes, have been reclassified to conform with 2004 financial statement presentation. Notes 3 and 11 provide descriptions of two events which have resulted in the restatement of certain 2003 financial statement figures.

PROVINCE OF PRINCE EDWARD ISLAND

Schedules to Consolidated Statement of Financial Position as at March 31, 2004

	2004 ($000)	2003 Restated ($000)
1 Cash and Short Term Deposits (Bank Advances)		
Operating Fund	(4,419)	(6,730)
Consolidated Agencies & Crown Corporations	16,856	21,399
	12,437	**14,669**
2 Accounts and Taxes Receivable		
Taxes	58,763	55,296
Government of Canada	33,968	28,994
Consolidated Agencies & Crown Corporations	14,503	14,278
Other	12,533	24,381
	119,767	**122,949**
Provision for Doubtful Accounts (Schedule 21)	(4,563)	(4,832)
	115,204	**118,117**
3 Treasury Advances		
Cash Floats	18	15
Nova Scotia Health Advance	535	535
Employee Health Club Memberships	33	-
Other	-	1
	586	**551**
4 Property Holdings		
Leased Property	868	1,104
Property Holdings	3,343	3,977
Property Holdings - Polar Foods (Note 10)	48,497	-
Other	473	445
	53,181	5,526
Provision for Losses (Schedule 21)	(26,099)	(1,550)
	27,082	**3,976**
5 Investments		
PEI Business Development Inc	3,730	4,069
Investments Held by Other Agencies and Crown Corporations	530	827
	4,260	4,896
Provision for Losses (Schedule 21)	(525)	(369)
	3,735	**4,527**

6 Investment in Government Business Enterprises

	Ch'town Area Dev. Corp. ($000)	Island Invest. Dev. Inc ($000)	Island Waste Management Corp. ($000)	P.E.I. Energy Corp. ($000)	P.E.I. Grain Elevators Corp. ($000)	P.E.I. Liquor Control Comm. ($000)	P.E.I. Lotteries Comm. ($000)	P.E.I. Reg. & Appeals Comm. ($000)	S'side Regional Dev. Corp. ($000)	Total 2004 ($000)	Total 2003 ($000)
Assets	37,890	51,917	33,460	17,415	1,663	8,799	26	1,427	9,395	161,992	165,583
Liabilities	33,613	52,242	37,005	15,497	1,130	8,799	26	1,115	8,309	157,736	157,957
Equity	4,277	(325)	(3,545)	1,918	533	-	-	312	1,086	4,256	7,626
	37,890	51,917	33,460	17,415	1,663	8,799	26	1,427	9,395	161,992	165,583
Percentage of Ownership	85%	100%	100%	100%	100%	100%	100%	100%	75%		
Province of PEI's Equity	3,635	(325)	(3,545)	1,918	533	-	-	312	815	**3,343**	**6,508**
Revenue	3,934	2,371	15,883	3,276	6,513	49,139	18,122	2,102	1,977	103,317	95,801
Expenses	4,409	2,700	18,721	2,482	6,367	38,496	933	1,855	2,513	78,476	68,499
Net Income (Loss)	(475)	(329)	(2,838)	794	146	10,643	17,189	247	(536)	24,841	27,302
Prior Period Adjustments	-	-	(98)	-	-	-	-	12	-		
Amounts Transferred to Province	-	-	-	(40)	-	(10,643)	(17,189)	(253)	-		
Province's Increase in Equity	(404)	(329)	(2,936)	754	146	-	-	6	(402)	**(3,165)**	**324**
	85%								75%		

Complete financial statements of government business enterprises, consolidated agencies and other agencies and crown corporations are provided in Volume II of the Public Accounts of the Province of Prince Edward Island.

7 Debentures and Sinking Funds

Issue Date	Maturity Date	Interest Rate	Term of Years	Gross Funded Debt	Sinking Fund	Net Funded Debt
Public and Private Issues:						
18-Apr-79	18-Apr-04	10.625%	25	4,526	4,472	54
15-Jun-94	15-Jun-04	9.375%	10	59,058	12,872	46,186
15-Dec-95	15-Dec-04	7.769%	20	3,043	-	3,043
15-Jan-87	15-Jan-07	9.875%	20	30,186	11,553	18,633
3-Oct-97	3-Oct-07	6.000%	10	35,000	5,204	29,796
22-Jun-88	22-Jun-08	11.375%	20	47,980	19,504	28,476
1-Dec-88	1-Dec-08	10.750%	20	44,687	17,083	27,604
16-Aug-90	16-Aug-10	11.500%	20	60,000	18,524	41,476
14-Mar-91	14-Mar-11	11.000%	20	50,000	14,044	35,956
19-Sep-91	19-Sep-11	11.000%	20	50,000	13,315	36,685
17-Dec-92	17-Dec-12	9.750%	20	50,000	11,109	38,891
18-Mar-93	18-Mar-13	9.250%	20	60,000	15,258	44,742
27-Oct-95	27-Oct-15	8.500%	20	75,000	12,788	62,212
15-Dec-93	15-Dec-23	8.500%	30	60,000	13,814	46,186
3-Sep-02	29-Jul-27	6.100%	25	100,000	1,305	98,695
21-Feb-00	21-Feb-30	6.800%	30	80,000	5,349	74,651
29-Jan-02	29-Jan-32	6.250%	30	100,000	3,126	96,874
12-Jun-03	21-Feb-34	5.600%	30	100,000	1,258	98,742
				1,009,480	180,578	828,902
Canada Pension Plan Issues						
1984-85	2004-2005	13.210%	20	10,500	-	10,500
1985-86	2005-2006	11.230%	20	8,975	-	8,975
1986-87	2006-2007	9.560%	20	13,526	-	13,526
1987-88	2007-2008	9.950%	20	10,010	-	10,010
1988-89	2008-2009	10.090%	20	9,703	-	9,703
1989-90	2009-2010	9.660%	20	10,544	-	10,544
1990-91	2010-2011	10.770%	20	9,603	-	9,603
1991-92	2011-2012	9.930%	20	9,794	-	9,794
1992-93	2012-2013	9.340%	20	6,971	-	6,971
1998-99	2018-2019	5.930%	20	376	-	376
1999-00	2019-2020	6.450%	20	7,332	-	7,332
2000-01	2020-2021	6.640%	20	9,136	-	9,136
2001-02	2021-2022	6.563%	20	11,374	-	11,374
2002-03	2022-2023	6.202%	20	11,360	-	11,360
2003-04	2023-2024	5.721%	20	11,135	-	11,135
Total Debt Reduction Fund				140,339	-	140,339
Total Debentures and Sinking Fund				**1,149,819**	**180,578**	**969,241**
Debt Reduction Fund					**41,095**	
Total Sinking Fund and Debt Reduction Fund					**221,673**	

The debentures listed on this schedule have been issued in Canadian dollars.

Canada Pension Plan debentures are callable by the Federal Minister of Finance on six months notice. No calls have occurred to date and none are expected.

	2004 ($000)	2003 Restated ($000)
8 Loans Receivable		
Operating Fund		
Charlottetown Area Development Corporation	7,633	7,836
Charlottetown Area Pollution Control	16	32
City of Summerside	1	2
Communities 13 Inc.	843	950
Community Development	187	18
Employee Computer Loans	474	349
Island Waste Management Corporation	4,500	1,705
P.E.I. Energy Corporation	6,550	-
P.E.I. Liquor Control Commission	5,322	4,750
School Board Computer Loans	274	-
Stratford Pollution Control Commission	32	48
Summerside Regional Development Corporation	488	513
	26,320	16,203
Mortgages and Loans Issued by Agencies		
P.E.I. Business Development Inc	29,519	4,391
P.E.I. Housing Corporation	7,598	9,000
P.E.I. Lending Agency	151,511	150,225
	188,628	163,616
Total Loans Receivable	214,948	179,819
Provision for Doubtful Accounts (Schedule 21)	(13,584)	(9,146)
	201,364	**170,673**
9 Deferred Charges		
Debenture Discount	7,111	6,655
Deferred Pension Charges	36,505	165,339
Other	11,332	-
	54,948	**171,994**
10 Deferred Revenue/Credits		
General	9,551	11,530
Motor Vehicle	5,070	4,952
	14,621	**16,482**

	2004 ($000)	2003 Restated ($000)
11 Accounts Payable		
Goods and Services	39,868	40,681
Government of Canada	38,786	26,108
Consolidated Agencies and Crown Corporations	56,367	43,840
Due to Sinking Fund	27,900	15,500
Other	25,360	9,157
	188,281	**135,286**
12 Accrued Liabilities		
Wages and Benefits	27,260	24,342
Interest	21,446	22,377
Provision for Solid Waste Landfill Closures (Note 5)	350	350
Provision for Losses on Loan Guarantees (Schedule 21)	3,394	7,815
	52,450	**54,884**
13 Short Term Loans Payable		
Treasury Notes	210,000	155,000
	210,000	**155,000**
14 Obligation Under Capital Leases		
Law Court Buildings	4,968	5,175
Consolidated Agencies and Crown Corporations	880	900
	5,848	**6,075**

	2004 ($000)	2003 Restated ($000)
15 Loans Payable		
Operating Fund - Federal Secured By Debenture		
School Construction Program	260	610
Land Development Corporation	167	167
Other	-	45
Consolidated Agencies & Crown Corporations		
East Prince Health		
Municipal Development Loan Board, 5 3/8%, maturing in 2008, payable in annual installments of $23,957 including interest.	102	120
PEI Business Development Inc		
Bank of Nova Scotia, 6.62%, maturing August 30, 2017, payable in monthly installments of $40,333 plus interest.	11,334	11,818
Bank of Nova Scotia, 5.65%, maturing March 20, 2007, payable in monthly installments of $18,106 including interest.	2,451	2,528
ACOA, non-interest bearing, maturing February 1, 2006, payable in annual installments of $180,000.	360	540
4% Promissory Note, due November 28, 2008, with interest payable quarterly and principal payments due each November 30th of $1,250,000, beginning in 2005.	6,211	-
4% Promissory Note, due October 10, 2007, interest only payable annually commencing October 31, 2004.	2,200	-
PEI Housing Corporation		
Canada Mortgage and Housing Corp - Mortgages Payable	27,526	28,429
- Debentures Payable	3,894	4,003
- Loans Payable	33	85
	54,538	**48,345**
16 Pension, Retirement and Other Obligations		
Civil Service Superannuation Fund	23,000	96,671
Teachers' Superannuation Fund	181,204	223,791
MLA Pension Fund (Old Plan)	(6,624)	(3,806)
Pension Plan for Members of the Legislative Assembly	178	434
Other Pension Plans	12,904	11,895
Retirement Benefits	51,191	48,676
Workers Compensation	15,531	14,931
	277,384	**392,592**

	Land and Improvements ($000)	Buildings and Improvements ($000)	Leasehold Improvements ($000)	Roads and Bridges ($000)	Motor Vehicles ($000)	Equipment ($000)	Other ($000)	Total 2004 ($000)	Total 2003 ($000)
Balance, beginning of year	28,669	469,919	6,416	473,046	43,375	85,414	51,531	1,158,370	1,093,133
Additions	746	17,273	-	16,544	2,346	7,389	983	45,281	68,421
Disposals	(523)	(413)	-	-	(2,993)	-	-	(3,929)	(3,184)
Balance, end of year	28,892	486,779	6,416	489,590	42,728	92,803	52,514	1,199,722	1,158,370
Accum. Amortization, beginning	447	153,251	1,220	332,444	34,579	50,135	16,136	588,212	554,315
Amortization	147	9,404	305	17,429	2,352	5,690	1,391	36,718	35,099
Adjustments for Disposals	-	(56)	-	-	(2,980)	-	-	(3,036)	(1,202)
Accum, Amortization, end of year	594	162,599	1,525	349,873	33,951	55,825	17,527	621,894	588,212
Net Book Value	**28,298**	**324,180**	**4,891**	**139,717**	**8,777**	**36,978**	**34,987**	**577,828**	**570,158**

This schedule includes the tangible capital assets of the Province's Operating Fund and the tangible capital assets of consolidated agencies.

Amortization is calculated using the straight line and declining balance methods (see Note 2 d).

Certain balances at March 31, 2003 have been restated to take into account adjustments to numbers presented in previous years.

The Province's policy regarding revenues received for tangible capital assets is to reduce the cost of the asset by the amount of the revenue received. The following revenue offsets have been applied to assets:

	2004 ($000)	2003 ($000)
Federal Revenue	6,610	4,975
Donations	8,496	4,049
	15,106	9,024

Under the Transitional Provisions of PSAB Section PS 3150 historical cost is still being gathered for certain land parcels. Adjustments to costs may be required when more information becomes available.

	2004 ($000)	2003 Restated ($000)
18 Prepaid Expenses		
Operating Fund	2,006	1,630
Consolidated Agencies	2,818	1,883
	4,824	**3,513**
19 Trust Fund Reserves		
Operating Fund	774,528	681,766
East Prince Health	28	34
Kings Health Region	32	26
Provincial Health Services Authority	99	-
Queens Health Region	127	229
West Prince Health Region	13	12
Eastern School Board	-	4
Western School Board	128	115
P.E.I. Business Development Inc.	3,009	6,722
P.E.I. Housing Corporation	3	4
P.E.I. Museum and Heritage Foundation	676	579
	778,643	**689,491**

20 Guaranteed Debt

	Outstanding 31-Mar-04 ($000)	Outstanding 31-Mar-03 ($000)
1 Lines of Credit / Demand Loans	3,637	4,378
2 Debentures / Capital Loans	50,697	60,812
3 Consolidated Agencies and Crown Corporations	33,612	22,493
4 Student Loans	11,423	8,285
Total Guaranteed Debt	**99,369**	**95,968**

	Maturity Date	Principal Guaranteed ($000)	Outstanding 31-Mar-04 ($000)	Outstanding 31-Mar-03 ($000)
1 Lines of Credit / Demand Loans				
P.E.I. Grain Elevators Corp.	15-Dec-04	3,250	637	1,378
Summerside Reg. Dev. Corp.	31-Jan-05	3,000	3,000	3,000
		6,250	**3,637**	**4,378**
2 Debentures / Capital Loans				
Capital Area Recreation Inc	Aug-05 to Dec-08	5,350	-	-
Ch'town Area Dev. Corp.	15-May-13	11,800	9,626	10,051
Communities 13 Inc.	Nov-04 to Aug-12	593	503	647
Island Waste Management	31-Dec-27	30,130	29,177	29,688
PEI Energy Corporation	06-Mar-17	9,360	8,334	8,261
Polar Foods International Inc.	1-May-10	-	-	12,000
Pownal Sports Centre	Dec-05 to Mar-24	3,355	2,956	-
South Shore Community Organization	01-Dec-04	400	101	164
Village of Crapaud	1-Dec-03	-	-	1
		60,988	**50,697**	**60,812**

Both principal and interest are guaranteed for loan guarantees and debenture share issues. During the term authorized, lines of credit may revolve up to the original principal guaranteed plus interest due.

	31-Mar-04 ($000)	31-Mar-03 ($000)
3 Consolidated Agencies and Crown Corporations		
P.E.I. Business Development Inc	13,733	8,994
P.E.I. Lending Agency	82	111
Island Investment Development Inc	19,797	13,388
	33,612	**22,493**

4 Student Loans

Effective August 1, 2001 the Province entered into an agreement with Credit Union Central of PEI for the funding and delivery of the PEI Student Loan Program. All provincial student loans issued under this program are guaranteed by the Province. As at March 31, 2004 student loans outstanding under this program totalled $11.4 million (2003 - $8.3 million).

Prior to August 1, 2001 the Province paid a risk premium, in lieu of providing loan guarantees, to banks who provided student loans. Under certain conditions loan guarantees are provided to these lendors by the Province. These conditions include loans to minors, loans to individuals who became disabled or deceased and loans to individuals with a history of credit abuse. The student loans outstanding, subject to these conditional guarantees, cannot be readily determined at year end.

A provision for losses on student loans in the amount of $1.7 million has been recorded at March 31, 2004. Management believes this provision is sufficient to cover losses on both the new and old student loan programs.

21 Provision for Doubtful Accounts and Losses

	Provision 31-Mar-03 ($000)	Written Off During Year ($000)	Increase (Decrease) Provided ($000)		Provision 31-Mar-04 ($000)	
Accounts and Taxes Receivable:						
Operating Fund						
Provincial Sales Tax	1,426	996	856		1,286	
Real Property Tax	219	-	100		319	
Transportation & Public Works	1,585	-	-		1,585	
East Prince Health	1,295	-	(146)		1,149	
West Prince Health	198	-	(3)		195	
P.E.I. Business Development Inc	109	-	(80)		29	
	4,832	996	727		4,563	1
Property Holdings:						
Operating Fund (Note 10)	-	-	23,670	2	23,670	
P.E.I. Business Development Inc	11	-	45		56	
P.E.I. Lending Agency	1,539	918	1,752		2,373	
	1,550	918	25,467		26,099	3
Investments:						
P.E.I. Business Development Inc	369	-	156		525	4
Loans Receivable:						
P.E.I. Business Development Inc	945	-	1,212		2,157	
P.E.I. Lending Agency	8,201	39	3,265		11,427	
	9,146	39	4,477		13,584	5
Loan Guarantees:						
Operating Fund	6,000	-	(4,322)	2	1,678	
P.E.I. Business Development Inc	1,765	220	121		1,666	
P.E.I. Lending Agency	50	-	-		50	
	7,815	220	(4,201)		3,394	6
Totals	**23,712**	**2,173**	**26,626**		**48,165**	

1 - The Provisions for Doubtful Accounts for Accounts Receivable are deducted on Schedule 2.
2 - $6 million Provision for Loss on Loan Guarantees (Polar Foods International) at March 31, 2003 has been transferred to Provision for Losses on Property Holdings.
3 - The Provisions for Losses on Property Holdings are deducted on Schedule 4.
4 - The Provisions for Losses on Investments are deducted on Schedule 5.
5 - The Provisions for Doubtful Accounts for Loans Receivable are deducted on Schedule 8.
6 - The Provisions for Losses on Loan Guarantees are included in Accrued Liabilities on Schedule 12.

22 Schedule of Debentures Issued and Matured

ISSUED	Date Of Issue	Rate of Interest	Date of Maturity	Amount of Issue ($000)	Price Received
Operating Fund					
Provincial Debenture	12-Jun-03	5.60%	21-Feb-34	**100,000**	98.89
Sinking Fund					
Canada Pension Plan	5-Apr-03	6.15%	5-Apr-23	1,381	100.00
	2-May-03	5.94%	2-May-23	1,777	100.00
	1-Jun-03	5.58%	1-Jun-23	1,787	100.00
	4-Jul-03	5.53%	4-Jul-23	1,191	100.00
	2-Aug-03	5.79%	2-Aug-23	856	100.00
	1-Sep-03	5.86%	1-Sep-23	785	100.00
	3-Oct-03	5.52%	3-Oct-23	726	100.00
	1-Nov-03	5.76%	1-Nov-23	832	100.00
	1-Dec-03	5.67%	1-Dec-23	332	100.00
	1-Mar-04	5.41%	1-Mar-24	1,468	100.00
				11,135	
Total Debentures Issued				**111,135**	

MATURED/CALLED	Date Of Issue	Rate of Interest	Date of Maturity	Amount of Issue ($000)	Amount Matured ($000)
Operating Fund					
Provincial Debenture	15-Dec-95	7.769%	Quarterly	25,000	**3,795**
Sinking Fund					
Canada Pension Plan	5-Apr-83	11.59%	5-Apr-03	1,381	1,381
	2-May-83	11.53%	2-May-03	1,777	1,777
	1-Jun-83	10.92%	1-Jun-03	1,787	1,787
	4-Jul-83	11.37%	4-Jul-03	1,191	1,191
	2-Aug-83	11.51%	2-Aug-03	856	856
	1-Sep-83	12.08%	1-Sep-03	785	785
	3-Oct-83	12.14%	3-Oct-03	726	726
	1-Nov-83	11.65%	1-Nov-03	832	832
	1-Dec-83	11.79%	1-Dec-03	332	332
	1-Mar-84	12.13%	1-Mar-04	1,468	1,468
					11,135
Provincial Debenture	3-Apr-86	10.63%	3-Apr-03	33,298	33,298
	1-Dec-78	10.25%	1-Dec-03	2,367	2,367
					46,800
Total Debentures Matured / Called					**50,595**

PROVINCE OF PRINCE EDWARD ISLAND

Schedules to Consolidated Statement of Operations
for the year ended March 31, 2004

		2004 $ Unaudited Revised Estimates ($000)	2004 $ Actual ($000)	2003 $ Restated Actual ($000)
	Revenue			
23	**Taxes**			
	Personal Income Tax	168,013	164,858	174,363
	Sales Tax	171,282	172,052	165,216
	Real Property Tax	53,000	52,980	51,665
	Gasoline Tax	36,000	36,196	35,985
	Corporate Income Tax	35,709	29,828	24,872
	Health Tax on Tobacco	29,500	25,631	21,737
	Health Tax on Liquor	11,458	12,004	11,416
	Insurance Premium Tax	6,200	7,947	7,128
	Corporation Capital Tax	1,700	1,955	1,470
	Other	550	635	684
		513,412	**504,086**	**494,536**
24	**Licenses and Permits**			
	Motor Vehicle Registry	11,327	11,818	11,680
	Registration & Licensing Act	575	703	679
	Securities Act	1,800	2,298	2,329
	Security Brokers and Salesmen Licenses	550	776	940
	Other	1,922	2,315	2,306
		16,174	**17,910**	**17,934**
25	**Fees and Services**			
	Patient Fees	10,313	10,523	10,689
	Housing Rental	4,385	4,525	4,472
	Land Title and Registry Fees	1,800	2,397	2,011
	Fines and Penalties	635	530	607
	R.C.M.P. Recoveries	710	810	832
	Campground Fees	775	791	746
	Third Party Insurance	1,800	2,070	1,855
	Probate Court Fees	1,022	1,073	1,103
	Consolidated Agencies and Crown Corporations	2,066	9,736	8,635
	Other	7,950	5,942	6,120
		31,456	**38,397**	**37,070**

	2004 Unaudited Revised Estimates ($000)	2004 Actual ($000)	2003 Restated Actual ($000)
26 Sales			
Lottery Revenue	18,000	17,189	16,411
Liquor Control Commission	10,634	10,643	10,071
Consolidated Agencies and Crown Corporations	6,379	5,909	5,994
Other	2,041	2,288	2,429
	37,054	**36,029**	**34,905**
27 Investment Income			
Operating Fund	6,157	2,881	2,724
PEI Lending Authority	10,772	10,490	10,605
Other Consolidated Agencies	1,111	1,325	1,899
	18,040	**14,696**	**15,228**
28 Other Income			
Health Regions	5,243	3,822	3,261
School Boards	500	523	-
PEI Business Development Inc	5,576	4,245	3,151
PEI Lending Agency	130	180	244
PEI Museum and Heritage Foundation	96	240	90
Tourism PEI	-	2,767	3,716
Other Consolidated Agencies	14	33	65
	11,559	**11,810**	**10,527**
29 Government of Canada			
Equalization	270,000	243,790	222,377
Canada Health and Social Transfer	104,700	103,751	89,488
Community and Labour Market Development	-	5,594	6,374
Housing Programs	1,843	2,310	2,022
Youth Justice Services	2,243	2,458	2,390
Official Languages in Education	1,709	1,971	2,174
Promotion of Official Languages	1,280	1,572	1,529
Infrastructure Program	2,496	2,326	2,226
Statutory Subsidy	678	679	678
Rehabilitation Programs	625	625	625
Primary Health Care Transition Fund	3,359	1,802	1,454
Agricultural Insurance Corporation	7,232	5,472	6,281
Health Reform Funding	4,435	4,338	-
Diagnostic equipment Funding	2,218	-	-
BSE Recovery Program	-	3,112	-
Agriculture Policy Framework Agreement	-	2,284	-
Disaster Assistance	-	566	-
Canadian Health Infrastructure Partnership	-	-	1,382
Other	7,701	4,311	2,420
	410,519	**386,961**	**341,420**

	2004 Unaudited Revised Estimates ($000)	2004 Actual ($000)	2003 Restated Actual ($000)
Expense			
30 Agriculture, Fisheries, Aquaculture & Forestry			
Department of Agriculture and Forestry	25,586	33,339	23,732
PEI Agricultural Insurance Corporation	16,127	10,927	13,178
PEI Agricultural Research Investment Fund	360	321	158
PEI Aquaculture and Fisheries Research Initiat.	200	94	21
PEI Grain Elevators Corporation (Operating Grant)	165	165	165
	42,438	**44,846**	**37,254**
31 Community and Cultural Affairs			
Department of Community & Cultural Affairs	20,996	22,420	18,750
PEI Human Rights Commission	346	321	357
PEI Museum and Heritage Foundation	1,141	1,979	1,621
	22,483	**24,720**	**20,728**
32 Development and Technology			
Department of Development and Technology	7,349	7,331	6,385
Employment Development Agency	3,275	5,151	4,709
PEI Business Development Inc	32,825	29,781	34,519
	43,449	**42,263**	**45,613**
33 Education			
Department of Education	201,239	66,445	60,997
Eastern School District	-	88,874	82,271
French Language School Board	-	6,051	4,919
Western School Board	-	45,990	42,640
PEI Regulatory and Appeals Comm (Grant)	1,065	1,132	1,065
	202,304	**208,492**	**191,892**
34 Environment and Energy			
Department of Environment and Energy	6,741	6,781	6,090
PEI Energy Corporation (Operating Grant)	674	674	671
	7,415	**7,455**	**6,761**
35 Health and Social Services			
Department of Health and Social Services	420,056	108,869	99,923
PEI Housing Corporation	-	615	582
Provincial Health Service Authority	-	124,693	-
East Prince Health Authority	-	34,993	58,291
Kings Health Authority	-	32,804	31,283
Queens Health Region	-	94,837	169,710
West Prince Health Authority	-	22,982	19,712
	420,056	**419,793**	**379,501**

	2004 Unaudited Revised Estimates ($000)	2004 Actual ($000)	2003 Restated Actual ($000)
36 Provincial Treasury			
Department of Provincial Treasury	19,045	18,464	17,317
Council of Atlantic Premiers	174	174	183
PEI Lending Agency	4,295	5,070	5,080
General Government	5,183	22,338	10,549
Technology Asset Management	2,228	2,204	1,850
PEI Self Insurance and Risk Management Fund	1,713	2,544	1,468
	32,638	**50,794**	**36,447**
37 Public Service Commission			
Public Service Commission	5,512	5,521	5,228
Employee Benefits	946	1,558	708
	6,458	**7,079**	**5,936**
38 Tourism			
Department of Tourism	104	104	101
Tourism PEI	17,571	19,772	19,499
	17,675	**19,876**	**19,600**
39 Transportation & Public Works			
Department of Transportation & Public Works	77,204	85,526	77,803
Interministerial Women's Secretariat	300	291	286
	77,504	**85,817**	**78,089**
40 Pension and Retirement Benefits			
Current Service Cost	18,607	27,262	27,376
Interest Cost	-	28,501	15,253
Amortization of Actuarial Adjustments	-	12,321	(1,870)
Employee and Other Contributions	-	(16,163)	(14,762)
	18,607	**51,921**	**25,997**
41 Expense by Object			
Administration		21,977	23,143
Amortization of Tangible Capital Assets		36,718	35,099
Debt - Interest Charges		106,475	103,075
Debt - Provisions and Other		25,174	11,729
Materials and Supplies		114,330	86,772
Professional and Contract Services		125,203	115,424
Salaries and Benefits		628,328	553,951
Travel and Training		9,840	8,699
Transfer Payments		78,503	85,909
Total Expense by Object		**1,146,548**	**1,023,801**

42 Reconciliation of Annual Consolidated Surplus (Deficit)

			2003-04 Consolidated Surplus (Deficit) ($000)
Operating Fund	(130,366)	-	(130,366)
Consolidated Agencies			
East Prince Health	-	-	-
Eastern School District	(903) 1	(576)	(1,479)
French Language School Board	(53) 1	-	(53)
Kings Health Region	-	-	-
PEI Agricultural Insurance Corporation	2,994	-	2,994
PEI Agricultural Research Investment Fund Inc	(89)	-	(89)
PEI Aquaculture & Fisheries Research Initiative Inc	(75)	-	(75)
PEI Business Development Inc	(2)	475	473
PEI Housing Corporation	-	-	-
PEI Human Rights Commission	(2)	-	(2)
PEI Lending Agency	1,377	-	1,377
PEI Museum & Heritage Foundation	45	-	45
PEI Self Insurance & Risk Management	49	(777)	(728)
PEI Special Projects Fund	(2,095)	-	(2,095)
Provincial Health Services Authority	-	-	-
Queens Health Region	-	-	-
Tourism PEI	(291)	-	(291)
West Prince Health Region	-	-	-
Western School Board	(439) 1	(757)	(1,196)
	516	(1,635)	(1,119)
Consolidation Adjustment - Tangible Capital Assets			9,533
Gain (Loss) on Government Business Enterprises (Schedule 6)			(3,165)
Consolidated Surplus (Deficit)			(125,117)

1 The three school boards have a fiscal year end of June 30th. For consolidation purposes unaudited statements of revenue and expenses were provided for the twelve month period ended March 31, 2004.

43 Reclassification of 2003- 2004 Budget Estimates

	2003 Unaudited Estimates Book $	Budget Changes $		2004 Unaudited Estimates Book $	Reallocations $		2004 Unaudited Revised Estimates $
REVENUE							
Taxes	513,412			513,412			513,412
Licenses and Permits	16,174			16,174			16,174
Fees and Services	29,219			29,219	2,237	5/7	31,456
Sales	36,611			36,611	443	5/7	37,054
Investment	14,810			14,810	3,230	7	18,040
Other	-			-	11,559	7	11,559
Government of Canada	404,107			404,107	6,412	7	410,519
Sinking Fund Earnings	13,225			13,225			13,225
Capital Revenue	1,457			1,457	(1,187)	5	270
Government Business Enterprises	-			-	876	7	876
Total Revenue	1,029,015			1,029,015			1,052,585
EXPENSE							
Agriculture,Fisheries,Aquaculture & Forestry	32,107	2,507	1	34,614	7,824	7	42,438
Attorney General	32,025			32,025			32,025
Auditor General	1,271			1,271			1,271
Community and Cultural Affairs	22,160			22,160	323	7/8	22,483
Development and Technology	39,725	(674)	2	39,051	4,398	7	43,449
Education	219,603			219,603	(17,299)	6/7/8	202,304
Environment and Energy	-	7,415	1/2	7,415			7,415
Executive Council	3,025			3,025			3,025
Fisheries, Aquaculture and Environment	9,248	(9,248)	1	-			-
Health and Social Services	418,575	2,900	4	421,475	(1,419)	6/7/8	420,056
Legislative Assembly	3,318			3,318			3,318
Provincial Treasury	31,333	(3,200)	3/4	28,133	4,505	7	32,638
Public Service Commission	16,866			16,866	(10,408)	8	6,458
Tourism	17,675			17,675			17,675
Transportation and Pub Works	71,374	300	3	71,674	5,830	6	77,504
Capital Expenditure	28,250			28,250	(28,250)	6	-
Pension and Retirement Benefits	-			-	18,607	8	18,607
Interest Charges on Debt	105,409			105,409	2,560	7	107,969
Amortization of Capital Assets	-			-	25,442	6	25,442
Total Expense	1,051,964			1,051,964			1,064,077
	(22,949)			**(22,949)**			**(11,492)**
Change in Tangible Capital Asset Policy	12,560			12,560	(12,560)	6	-
Net Deficit of Crown Entities	(1,103)			(1,103)	1,103	7	-
Consolidated Deficit	(11,492)			(11,492)			(11,492)

1 - Transfer of Fisheries and Aquaculture to Agriculture and Forestry and setup Department of Environment and Energy.
2 - Transfer PEI Energy Corporation to Environment and Energy from Development and Technology.
3 - Transfer Interministerial Women's Secretariat to Transportation and Public Works from Provincial Treasury.
4 - Transfer $2.9 million to Health and Social Services from General Government for Salary Negotiations.
5 - Reallocation of Capital Revenues per Change in Tangible Capital Asset Policy (Note 3).
6 - Reallocation of Capital Expenditures per Change in Tangible Capital Asset Policy (Note 3).
7 - Allocation of Crown Entities Budgets.
8 - Costs of pension, retirement and other future employee benefits transferred to a separate line item.

This schedule outlines the changes in the Province's 2003-2004 Budget resulting from the re-allocation of funds within Departments. The information is taken from the Province of PEI Estimates of Revenue and Expenditure for the years 2003 and 2004. The column under 2004 Unaudited Revised Estimates is the budget information provided in the Consolidated Statement of Operations (Page 12).